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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

-v-

CARL L. COLLINS, III

Defendant,

_____ /

Case:2:19-cr-20685
Judge: Battani, Marianne O.
MJ: Whalen, R. Steven
Filed: 10-10-2019 At 03:17 PM
INDI USA VS COLLINS (DP)

VIOLATIONS:

26 U.S.C. § 7201
(Tax Evasion)

26 U.S.C. § 7206(1)
(Filing a False Tax Return)

26 U.S.C. § 7203
(Willful Failure to File Return)

INDICTMENT

THE GRAND JURY CHARGES:

INTRODUCTION

At times relevant to this Indictment:

1. CARL L. COLLINS, III ("COLLINS") was an attorney licensed to practice law in Michigan and other jurisdictions. COLLINS owned the Law Office of Carl Collins, III, located in Southfield, Michigan. COLLINS' primary legal practice was to represent clients who suffered personal injuries.

2. COLLINS owned Alpha Living, LLC (“Alpha Living”) which, in turn, owned MedCity Rehabilitation Services, LLC (“MedCity”). Alpha Living provided residential services to persons with traumatic brain injuries while Medcity provided rehabilitation services to injured persons. Collins previously elected to file corporate tax returns for both Alpha Living and Medcity.

3. COLLINS also owned a real estate company called First Third, LLC (“First Third”). Collins should have reported the income and expenses of First Third on his individual income tax returns.

4. The Internal Revenue Service (“IRS”) is an agency within the U.S. Department of Treasury responsible for administering and enforcing the federal internal revenue laws regarding the ascertainment, computation, assessment, and collection of taxes owed to the United States by its citizens and residents.

5. As part of his practice of law, COLLINS maintained at Comerica Bank an IOLTA (Interest on Lawyer’s Trust Account) account to hold in trust the funds of clients or third parties that were in the possession of his law practice. COLLINS was required to submit information about his IOLTA accounts to the Michigan State Bar Foundation and he did so with regard to this IOLTA account.

6. COLLINS established another IOLTA account at Bank of America. Unlike his IOLTA account at Comerica Bank, COLLINS failed to disclose to the Michigan State Bar Foundation that he had opened this other IOLTA account (“the

undisclosed IOLTA account”). Nor did COLLINS disclose this account to his tax return preparer.

7. Specific rules of professional conduct governed the operation of IOLTA accounts in Michigan. These rules, among other things, prohibited the attorney from maintaining funds other than client or third person funds in the IOLTA, and prohibited the attorney from depositing the attorney’s own funds in the IOLTA in an amount more than reasonably necessary to pay financial institution service charges.

COUNT ONE
26 U.S.C. § 7206(1)
(Filing a False Tax Return)

8. Paragraphs 1 through 7 above are incorporated as though fully set forth herein.

9. During 2012, COLLINS had individual income from multiple sources. First, COLLINS’ law firm received income which he reported on his individual income tax return. Second, he received dividends from Alpha Living which were labeled as “Member Share.” Third, COLLINS received income through First Third, including dividend payments from Alpha Living and MedCity. Although some of the payments from Alpha Living to First Third were styled as “loans,” there were no documents regarding loans from Alpha Living to First Third.

10. During 2012, COLLINS deposited approximately \$550,000 in income into his undisclosed IOLTA account at Bank of America. These deposits included checks that COLLINS drew on his Comerica Bank IOLTA account and dividend checks from Alpha Living to COLLINS labeled "Member Share." COLLINS did not inform his tax preparer about the existence of this undisclosed IOLTA account.

11. On his 2012 individual income tax return, COLLINS did not report approximately \$550,000 in income deposited into the undisclosed Bank of America IOLTA account. Nor did COLLINS report on that return more than \$100,000 in payments from Alpha Living and MedCity to First Third.

12. On or about October 15, 2013, in the Eastern District of Michigan, COLLINS, a resident of Detroit, Michigan, did willfully make and subscribe a Form 1040 (U.S. Individual Income Tax Return) for the calendar year 2012, which was verified by a written declaration that it was made under the penalties of perjury and was filed with the IRS, that reported total income on line 22 of approximately negative \$55,794. COLLINS, however, did not believe the return to be true and correct as to every material matter in that he then knew that he had received substantially more total income than the amount listed on the return.

All in violation of Title 26, United States Code, Section 7206(1).

COUNTS TWO THROUGH FOUR
26 U.S.C. § 7203
(Willful Failure to File Return)

13. Paragraphs 1 through 4 above are incorporated as though fully set forth herein.

14. During the calendar years set forth below, in the Eastern District of Michigan, CARL COLLINS, III had and received gross income of at least the amounts listed below. By reason of such gross income, he was required by law, following the close of the calendar years and on or before the dates listed below, to make an income tax return to the IRS, stating specifically the items of his gross income and any deductions and credits to which he was entitled. Well knowing and believing all the foregoing, he did willfully fail, on or about the dates set forth below, in the Eastern District of Michigan and elsewhere, to make an income tax return.

Count	Calendar Year of Tax Return	Minimum Gross Income	Approximate Due Date of Tax Return
Two	2013	\$10,000	October 15, 2014
Three	2014	\$10,150	October 15, 2015
Four	2015	\$10,300	October 15, 2016

All in violation of Title 26, United States Code, Section 7203.

COUNTS FIVE THROUGH EIGHT**26 U.S.C. § 7203****(Willful Failure to File Return)**

15. Paragraphs 1 through 4 above are incorporated as though fully set forth herein.

16. During the calendar years set forth below, COLLINS was the owner of MedCity Rehabilitation Services, LLC and Alpha Living, LLC, corporations not expressly exempt from tax, with principal places of business in the Eastern District of Michigan. He therefore was required by law, after the close of the calendar year and on or before the dates listed below, to make income tax returns, for and on behalf of those corporations, to the Internal Revenue Service, stating specifically the items of the corporations' gross income and the deductions and credits allowed by law. Well knowing and believing all of the foregoing, he did willfully fail, on or about the dates listed below, in the Eastern District of Michigan and elsewhere, to make an income tax return.

Count	Corporation	Calendar Year of Tax Return	Approximate Due Date of Tax Return
Five	MedCity Rehabilitation, LLC	2013	September 15, 2014
Six	Alpha Living, LLC	2013	March 17, 2014
Seven	Alpha Living, LLC	2014	March 16, 2015
Eight	Alpha Living, LLC	2015	September 15, 2016

All in violation of Title 26, United States Code, Section 7203.

COUNT NINE
26 U.S.C. § 7201
(Tax Evasion)

17. Paragraphs 1 through 7 above are incorporated as though fully set forth herein.

18. During 2015, COLLINS deposited approximately \$580,000 into his undisclosed Bank of America IOLTA account. These deposits included approximately \$360,000 in payments from another law firm to Alpha Living and approximately \$220,000 from numerous checks that Collins drew on his other law firm accounts. During 2015 and 2016, Collins transferred approximately \$367,000 of the funds to First Third and for the purchase of properties by First Third.

19. During the calendar year 2015, defendant COLLINS had and received taxable income, upon which there was a substantial income tax due and owing to the United States. Well knowing the foregoing, defendant COLLINS, in the Eastern District of Michigan, and elsewhere, did willfully attempt to evade and defeat said income tax due and owing by him to the United States for the calendar year by failing to making an income tax return on or before October 15, 2016, as required by law, to any proper officer of the IRS, by failing to pay the IRS said income tax, and by committing the following acts: depositing taxable income into

an undisclosed IOLTA account and using the IOLTA account to conceal financial transactions.

All in violation of Title 26, United States Code, Section 7201.

COUNT TEN
26 U.S.C. § 7206(1)
(Filing a False Tax Return)

20. Paragraphs 1 through 7 and 18 above are incorporated as though fully set forth herein.

21. In or about October 2016, COLLINS was interviewed by IRS special agents about, among other things, COLLINS' failure to file individual and corporate tax returns.

22. On or about March 12, 2017, COLLINS filed a delinquent 2015 individual income tax return. However, COLLINS failed to disclose to the individual who prepared his delinquent return that he had received substantial taxable income in his undisclosed IOLTA account.

23. On or about March 12, 2017, in the Eastern District of Michigan, COLLINS, a resident of Southfield, Michigan, did willfully make and subscribe a Form 1040 (U.S. Individual Income Tax Return) for the calendar year 2015, which was verified by a written declaration that it was made under the penalties of perjury and was filed with the IRS, that reported total income on line 22 of

approximately \$54,075. COLLINS, however, did not believe the return to be true and correct as to every material matter in that he then knew that he had received substantially more total income than the amount listed on the return.

All in violation of Title 26, United States Code, Section 7206(1).

A TRUE BILL

S/ Grand Jury Foreperson
GRAND JURY FOREPERSON

October 10, 2019
DATE

MATTHEW J. SCHNEIDER
UNITED STATES ATTORNEY

s/ Kenneth C. Vert
KENNETH C. VERT
Trial Attorney
Department of Justice, Tax Division

s/ Jeffrey A. Mclellan
JEFFREY A. MCLELLAN
Trial Attorney
Department of Justice, Tax Division

United States District Court Eastern District of Michigan	Criminal Case Cover Sheet	Case Number
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NOTE: It is the responsibility of the Assistant U.S. Attorney signing this form to complete it accurately in all respects.

Companion Case Information	Companion Case Number:
This may be a companion case based upon LCrR 57.10 (b)(4) ¹ :	Judge Assigned:
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	AUSA's Initials:

Case Title: USA v. CARL L. COLLINS, III

County where offense occurred : Oakland County

Check One: ☒ Felony ☐ Misdemeanor ☐ Petty

☒ Indictment/ ☐ Information --- no prior complaint.
☐ Indictment/ ☐ Information --- based upon prior complaint [Case number: _____]
☐ Indictment/ ☐ Information --- based upon LCrR 57.10 (d) [Complete Superseding section below].

Superseding Case Information

Superseding to Case No: _____ Judge: _____

- ☐ Corrects errors; no additional charges or defendants.
☐ Involves, for plea purposes, different charges or adds counts.
☐ Embraces same subject matter but adds the additional defendants or charges below:

<u>Defendant name</u>	<u>Charges</u>	<u>Prior Complaint (if applicable)</u>
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Please take notice that the below listed Assistant United States Attorney is the attorney of record for the above captioned case.

October 10, 2019
Date

Kenneth C. Vert
Kenneth C. Vert
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Attorney Bar #:

¹ Companion cases are matters in which it appears that (1) substantially similar evidence will be offered at trial, or (2) the same or related parties are present, and the cases arise out of the same transaction or occurrence. Cases may be companion cases even though one of them may have already been terminated.